

Economic Ideas and Policies in Nineteenth-Century Portugal

Maria Eugénia Mata

O objectivo deste artigo é ilustrar a necessidade de se considerar o panorama das ideias económicas e o diálogo entre o pensamento intelectual dos economistas e as acções dos políticos, por forma a que se possa compreender o processo de crescimento económico português. Ao mesmo tempo analisa-se o impacto de políticas económicas assumidas.

Apesar da transformação do pensamento económico português do século XIX, com a divulgação do paradigma da escola clássica, a preocupação com o desenvolvimento económico fez desviar a acção política das recomendações doutrinárias.

A conclusão apresenta as consequências para o regime de Salazar resultantes do fraco crescimento económico antes alcançado.

*

Economic growth receives constant attention from historians, economists and intellectuals. Worries about economic development in Portugal date back to the illuministic ideals of the eighteenth century, based on a liberal agrarian blueprint to put in motion agricultural modernization. This liberal climate in economic doctrines paved the way for the dissemination of the Classical paradigm in Portugal, as it did in most of the European countries. The real contact with dominant Political Economy thought was made in the beginning of the Nineteenth-century through both the translation of Adam Smith's *The Wealth of Nations* into Portuguese,¹ and the influence of leading Portuguese expatriated intellectuals. Most of these intellectuals came back into Portugal after the success of the Liberal revolution in 1820 and brought with them those cultural influences. Political Economy perspectives shaped by the Classical School reached Portugal also through French authors because Portuguese had a higher literacy in French than in English. The less formal style used by Jean Baptiste Say may also explain the success of French texts in Portugal, as opposed to the difficult style used by David Ricardo.

But it was Brazil's independence in 1822 that served as the catalyst for economic debates on prosperity in Portugal. Economic growth depended largely on Brazilian markets. The anti-liberal Colonial Pact assured that until 1808 Brazil should serve as a safe and protected market for Portuguese goods. Free access to Brazilian ports in 1808 and Brazil's political independence soon threatened Portuguese prosperity. Portugal's sudden need to search out demand for domestic staples elsewhere in the world market forced a recognition of the country's lethargy in the international economy.

How would Portugal manage the challenge?

Free trade theoretical dogma coming from Classical School thought required Portugal's capacity to support international competitiveness through comparative commercial advantages.

And there quickly proceeded a yearning to follow the example of other industrializing European nations which were securing new prosperity. It is safe to say that the desire for prosperity was in the thoughts of Portuguese policy makers throughout the second half of the Nineteenth-century, and on into the twentieth.

Portugal's gradual development owes a debt to the perseverance of certain broad-minded Portuguese intellectual authorities, their opinions, doctrinal systems and efforts in general. As Professor A.W. Coats observes: "The history of economic ideas does not exist solely for the instruction of economists."² Its service is much wider and fascinating. Even

when claiming to enlighten only the political economy, the history of Economics illuminates all the past.

The main objective of this paper is to illustrate that in our attempts to understand Portuguese economic development, we must see the historical context clearly and examine the way in which the dialogue between the intellectuals and policy makers played out into the form of laws and regulations. At the same time, we will look at the impact of economic policies and the extent to which they penetrated other aspects of society.

Section 1 deals with Portuguese economic thought of the Nineteenth-century and its transition from a crude liberal agrarianism to the Classical paradigm. From a practical and political perspective, free trade and non-interventionist doctrines, which prevailed in the early decades of the century, were soon superseded by protectionist and developmentist schemes that dominated the scene from the 1822 independence of Brazil until the First World War, and beyond.

In Sections 2 to 6, we see how the protectionist and developmentist pragmatism persisted, driving a wedge between emerging scientific theory and empirical recommendations for a broader process of industrialization and modernization in Portugal. A true divergence between theoretical economic doctrines, and the pressing temptation of protectionist policies and government intervention became clear. Protectionism, government subsidies and regulations were designed by politicians to promote foreign investment and State interventionism. They paved the way for the dissemination of newer theories and paradigms in Portugal, such as the historical, nationalistic and socialist schools, which had a closer affinity to the Portuguese “realpolitik” of the day.

At the turn of the century, economic growth remained a dream, as the clash between liberals and conservatives continued, fueled by both the desires of the former to embrace the untested tenets of the emerging Neoclassical school, and the latter’s advocacy of a reformulated eclecticism which favored the revival of protectionism.

1. Early Nineteenth-century Systems of Thought in Portugal

Economic thought of the early Nineteenth-century in Portugal was dominated by a liberal agrarian perspective, sometimes identified with physiocracy. It found its principal proponents in the Academy of Sciences (created in 1782), which took a leading role in the discussion of economic matters and other scientific subjects. The Academy’s members were prominent figures in Portuguese society who voiced their opinions about economic issues and the problems facing the country.³ Although I do not address the idea of direct transmission of the international physiocratic system from foreign scholars into Portugal, the opinions of the Academy’s members certainly reflect the widespread belief in the fundamental role of agriculture in economic life and structure. They also state the need to build Portuguese industry and trade on a healthy and prosperous agricultural foundation. As one might expect, this learned body did not speak with a single voice on all issues. Some topics were long debated by its members, as evidenced in their memoirs outlining recommendations for macro policy and specific solutions for more local problems.

The question of the physiocratic character of these perspectives is a vexing one, and will not be discussed at length. Let us observe only that Portuguese authors who advocated liberal agrarianism, did so without revealing any profound theoretical insight which drew upon the physiocratic paradigm. We should also recall that the notion of basing industry and trade on prosperous agriculture and the principle of *laissez faire*, were not specifically physiocratic. These ideas are clearly present, for instance, in the writings of Adam Smith as

well. Liberal agrarian authors in Portugal aimed to be pedagogic in economic matters, to couch the various issues in statistics, gain support for projects of modernization, and advise politicians on affairs of national interest.

The activity and voice of the Academy of Sciences waned during the years of war against the Napoleonic Empire, largely as a result of the social and political disarray caused by the war. Fresh ideas and direct openness to foreign influences, particularly French and British, ushered in the Classical paradigm to Portugal. France and Britain, in fact, were the only countries in which “political economy” had acquired anything like a disciplinary identity in the modern sense of “social science” at this time. In the context of this formulation of economic thought, the first publication of the Classical paradigm in the Portuguese language came in 1804 with the work of José da Silva Lisboa, a Brazilian, who would go on to publish the first Portuguese translation of Adam Smith’s *The Wealth of Nations* in 1811.⁴

Although at first political economy was not the subject of active and formal instruction, the Classical paradigm gradually emerged as the dominant theory among Portuguese intellectuals. It remained so until the middle of the century,⁵ in spite of “the late and often partial character with which the main economic theories arrive in Portugal ...”⁶ The influx of people and economic ideas into Portugal fostered a sweeping embrace of faith in market virtues and the Classical message, in general: “The works of Smith, Say, or even Stuart Mill, are clear guidelines for social reasoning and intervention”.⁷

French authors such as Jean-Baptiste Say, Bastiat or Michel Chevalier shaped the opinions of nineteenth-century Portuguese authors more than the English Classical school. David Ricardo’s *Principles...*, for example, was not a currently known contribution in Portugal.⁸ The influence of French ideas may be understood, partly as a consequence of the closer intellectual ties between Portugal and France (a situation in stark contrast to the closer *economic* relationship between Portugal and Britain), and partly as a consequence of the easier exposition of the Classical paradigm by French authors, which facilitated the spread of their ideas over the entire European continent.

The teaching of economics did take hold, as it turned out, and the Faculty of Law at the University of Coimbra and trade schools, such as those belonging to the *Associação Comercial do Porto* and the *Associação Mercantil de Lisboa*, played a crucial role in promoting the Classical ideas on a wider scale. During the first Liberal political period (1821) the Parliament even approved the teaching of economics in Portuguese high schools. However, changes in the political scene in 1823 prevented the decision from being implemented.⁹ The general intellectual climate and conventional wisdom of the day were guided somewhat by curriculum organization and a few Portuguese texts,¹⁰ but the key mechanism of influence was the lecture. All in all, we should find that the presentation of the Classical message was successful in spreading the word. The dearth of written materials does not necessarily point to ill preparation on the part of students or graduates.

Despite the new readings, economic pragmatism persisted and the new scientific statements failed to take shape in doctrine or in policy recommendations regarding the wider scope of industrialization or modernization. Portugal became mired down economically even as the voices calling for modernization grew louder and more numerous.

The theoretical insights pressed for change, but the steps forward were taken very cautiously. Prudence was a justifiable watchword, given the fact that Portugal really held no large cards in the game of international economic competition. It was imperative not to jeopardize whatever opportunities there may have been through rash or untoward action. It was not clear which path offered greater security or better served the interests of the nation (free trade or protectionism) and where greater efficiency was to be found (private initiative

or natural monopoly in certain selected sectors). Customs and fiscal policy, the role of private versus public institutions, legal restraint (particularly on foreign capital and investment) and state intervention in health, education and labor all drew the attention of authors and occupied center stage in the debates of Portugal's intellectuals. The populace was also swept up in the deliberations, and politicians in particular paid careful attention to the ebb and flow of the tides.

The next sections will examine these currents.

2. Protectionism versus Free Trade

Liberal Portuguese economists always accepted the notion of free trade, and recognized its arguments regarding the importance of competition in achieving economic efficiency.¹¹ In Manuel de Almeida's 1821 textbook¹² a passage based on Jean-Baptiste Say alludes to the advantages of free trade:

The Government, forbidding the introduction of certain foreign commodities, [...] establishes a monopoly in favor of those who produce this [same] commodity within [the country] against those who consume it; which is to say, those who produce it, enjoying the exclusive right to sell it, can raise its price, and the consumers, who can buy it only from them [...] have no choice but to buy it at the higher price.¹³

However, historical developments were not favorable to the implementation of free trade doctrines in Portugal. The consequences of the French invasions early on in the century, the loss of colonial Brazil in the first quarter, and the Civil Wars of the first half, all worked both individually and collectively to frustrate the advance of prosperity.

Confounded by both the complexities of the economic situation, which seemed to dash best hopes and efforts at every turn, and the abundance of opinions on how to set things straight, José Acúrsio das Neves observed in 1820:

Political economy is a more difficult science than what it is believed to be by those who do not understand it. Its doctrines are so interrelated and interdependent upon one another that a person who preaches on its more delicate points without having studied it in depth, but having only read a few chapters of an author or two, is the same as one who dares to practice medicine because of having read some of Hipocrates' aphorisms or to measure the stars because of having studied some of Euclides' propositions.¹⁴

Although he accepted Classical doctrine, Acúrsio das Neves argued that his departure from its principles was driven by Portugal's declining economic activities in the years following Brazil's independence.

When you see two or three merchants, or two or three manufacturers talking, get nearer to them and you will see, by their somber look and by their words, that they are only bemoaning their losses [...].¹⁵

Pragmatism thus carried the day in the economic plight on free trade/protectionism debate in Portugal. Most politicians – absolutist, liberal, and democratic – paid lip service to the theoretical arguments about the superiority of free trade, but usually rallied on the side of protectionism when pressed to take a practical stand. Economists did likewise. Oliveira

Marreca, for example, defended free trade positions from a theoretical point of view in 1838: '[...] to say that tariffs tend to protect industry is almost the same as claiming that poison tends to prolong life'.¹⁶

Writing only 10 years later:

So that the less-developed countries can establish, maintain and improve factories, it is necessary that they remove from their markets the foreign industrial goods with which the national [domestic] ones can compete neither in perfection nor in inexpensiveness.¹⁷

The dependency upon customs revenues as a regular constituent of treasury receipts also helps to explain the shift away from the tenets of free trade. Portugal was not alone in this regard, and other Southern European governments of the day satisfied a similar need with comparable practices.

The spread of eclectic views eroded the support for free trade. After presenting the individualist (Classical) and social (Historical and Socialist) perspectives, Frederico Laranjo expressed his own feelings quite plainly in his 1891 textbook:

If we will apply the reasoning of the free trade school for example to Portugal, we will see what a deep and impossible transformation would be necessary in order to follow their tenets. Grain culture, cattle raising, woools, should be abandoned, because the United States, the Southern American countries, Australia and even many European nations are much more efficient than we are in those productions; olive oil culture would also be abandoned, because Spain, Italy and Greece are superior to us; and if present-day agriculture would, thus, disappear, especially against those of the new countries, manufacturing industry would also disappear, for the same reasons, as against those of England, France and Germany.¹⁸

Debates over which economic activities should or should not be protected went on throughout the century. Some authors argued for the protection of agriculture because it was the traditional basis of the Portuguese economy. Others wanted to protect industry, justifying this departure from the Classical doctrine with a crude, infant-industry argument. In practice, high protectionist tariffs, especially for agricultural production, were imposed in the 1820s and remained in place for some 30 years. Quotas were also set in 1837, especially for wheat, and lasted into the 1860s. In 1852 tariffs were decreased – again, mostly in the area of agriculture – but were raised in the late 1880s and stayed high until after the Second World War.

Events such as these do not come about solely as the result of changes in the intellectual climate; there are also responses to the shifting economic and financial landscape. The elevated protectionism witnessed between the 1820s and 1850s was in answer to an economic downturn. The reduced protectionism of the 1850s-1880s period was a reply to the benefits of Portugal's first era of significant economic growth. The return to high protectionist levels in the late 1880s reflected a renewed epoch of sluggish growth.¹⁹

3. Development Policy by Means of Physical Capital Formation (Public Works)

The lowering of tariffs in the 1850s, especially on agricultural production, did not signal a reduction of state intervention in economic affairs. In fact, the government was

embarking on new efforts to boost economic development by means of physical capital formation.

The nagging belief that the Portuguese economy was somehow intransigently laggard was not new, as noted above, and can be traced back to the illuministic ideals of the eighteenth-century. The challenges of the first half of the Nineteenth-century energized the concern of Portuguese scholars to the predicament of the country and prompted a number of “blueprints” for recovery.²⁰ Institutional reforms and public works were the main features of the liberal blueprint that was enacted on the heels of Brazilian independence. However, while institutional reforms were easy enough to pass, albeit somewhat slower to implement, public works construction had to wait for the financial opportunity - something which did not come about until the 1850s. The delay was not for lack of enthusiasm, as Oliveira Marreca observed in 1843:

Progress, progress! It is proclaimed everywhere! We want it too: but how to move ahead if we have no roads! And how is it to do without them if they bring for the economic order, *cheapness, abundance and trade*, for the civil order, safety, for the political order, *nationality*, for the moral order, *civilization*?²¹

An early plan to build roads was put into motion in 1844 with a contract between the government and a private company founded in Lisbon, the *Companhia das Obras Públicas de Portugal* (Portuguese Public Works Company). The firm was to build several roads, port facilities and the Portuguese stretch of a Lisbon-Madrid railroad, and was entitled to collect road tolls and run the railroad for a 99-year period. Unfortunately the civil war of 1846-7 put a quick end to the enterprise – and the company endured heavy losses²².

The 1850s, however, saw a real turn-about of affairs in terms of social issues and political stability and, in turn, financial possibilities materialized as never before. In the 30-year period from the 1850s to the 1880s, the State made herculean efforts to build a modern transportation network in order to promote a true national economy as well as to upgrade the links between the Portuguese and international economy. The efforts point to a total conviction of the superiority of the market mechanism in most economic activities. Portuguese economists of the second quarter of the Nineteenth-century fell right into line with Classical dogma.

Government policy was designed not to rock the boat of private entrepreneurial initiatives, or interfere in any way. Private business grew freer and freer, even carried by foreign companies and the government stayed very deliberately on the sideline – confident in the belief that equilibrium adjustments would be better left to the Smithian “invisible hand.”

Notwithstanding the advantages perceived in that “hand,” the government continued to believe that greatly improved transportation and communication facilities were essential to continued development. Private entrepreneurship just wasn’t getting the job done. The government felt compelled to do something to jump start these sectors. This decision may be justified, to some extent, by the public goods theory. But reasoning as sophisticated as this did not flourish among the Portuguese economists of the day. Politicians instead advanced crude arguments citing transportation costs and imitation effects:

Mr. President, how much does Lisbon pay, how much does the capital pay for having neither railroads nor roads? How much do we pay today on a host of consumer goods for the want of these means of communication?
(...)

But, Mr. President, it is not enough to hear about what exists abroad; it is a mistake; a man who leaves Lisbon to travel through Europe, returns with a deep feeling for our inferiority, and for the advantages stemming from the means of communication; he returns with the intimate conviction to overcome all the difficulties, so that we [may] have here the same that exists abroad.²³

Railroads are today's science: the top spirits in Europe have spoken about them, and [they] are in application in the developed countries of the world.²⁴

We must underscore the role of the politician Fontes Pereira de Melo, as a promoter of this policy, which came to bear his name: *Fontismo* (Fontism). He was at once a learned thinker, distinguished orator and brilliant parliamentarian. His enthusiasm for armament is quite understandable, as he was also an engineer in the army. His tenure as Minister of Public Works and Prime Minister was, above all else, devoted to the establishment and implementation of collective infrastructures. His policy has also been interpreted as something of a variant on Sain-Simonism.²⁵

4. Monopolies and Subsidies

As noted in Section 3, Portuguese economists of the mid-Nineteenth-century favored and generally deferred to market mechanisms, following, as best as possible, a policy of no public enterprises, no subsidies to private enterprises, and no legal monopolies. Some concessions were inevitable, however, and certain compromises were made.

The principal case where monopoly prevailed was in the tobacco sector, where the liberals maintained a regime of legal monopoly, left over from the days of absolutist governments, until the 1860s. Even the liberals were content with the *status quo* in this case. The private enterprises that enjoyed the tobacco monopoly not only paid hefty sums to the state in rents and taxes, but also contributed to public loans at several crucial moments when it was quite difficult to appeal to the market in general. It was a monopoly built on a fiscal rationale, engineered to ensure that an especially profitable activity would contribute heavily to the state coffers.

Competition was brought to the sector for a period of almost two decades, but in the face of failing public funds, there was a brief experiment with a state-owned company in the late 1880s and (private) monopoly was restored in the early 1890s.²⁶

Another compromise with the market's "invisible hand" can be found in subsidies awarded to railway companies.²⁷ Once again politicians justified these practices in pragmatic terms:

Mr. President, [...] the government which would [withhold aid from an important railway company in distress] would kill the initiative of capitals, compromise the future of the country and put at risk an important element of management and prosperity – the cooperation between capital and labor to foster public wealth.²⁸

A third exception to the principles of market mechanism was the existence of public enterprises, which grew out of two different circumstances. The first was the need to take over bankrupt railway companies, after the state subsidies had failed to rescue them. This led to the formation of a public enterprise, the *Caminhos-de-ferro do Estado* (State Railways), which ran a good part of the Portuguese railroads (building several new lines, as well) between the 1870s and 1920s.

The second exception was the short lived effort to find an alternative to the private tobacco monopoly in the late 1880s, as mentioned above. Hard pressed for cash, the government was forced to re-instate the concession of a private monopoly in return for a public loan in 1891.

Last, but not least, there was the case of the monopoly for the issuing of bank notes. For most of the century, the Bank of Portugal (following a privilege granted in 1821 to the Bank of Lisbon) had a monopoly for the issuing of bank notes in the region of Lisbon, while competition among several issuing banks prevailed in the North of the country. Heated debates and law projects failed to change the situation. It was a banking crisis, which led to the suspension of the gold standard in 1891, that forced the issuing banks of the North of the country, who had been badly hit, to abandon their issuing rights. Thus, the Bank of Portugal became the only issuing bank for all of (European) Portugal.²⁹

5. Long-term Budget Balancing

Naturally, public investment in a modern transportation network led, in turn, to public expenditure. The financing of an investment on such a scale had long been recognized as a daunting problem. Acúrsio das Neves, for instance, remarked in the 1820s:

To open new roads and new channels of communication, to build bridges and other similar works, are projects that come to the minds of everyone, although easier to design than to build as long as public revenues are spread so thinly among so many and such costly purposes, and public debt cannot be paid nor credit improved.³⁰

In order to finance the public works, the government had to raise taxes, issue new money, or borrow funds. A tax hike would clearly have been politically costly for the government, and would have brought additional woes in the form of increased tax evasion, smuggling, and social unrest. An attempt to increase fiscal pressure was made in the mid 1840s and resulted in the well-known riots of *Maria da Fonte* in the north of the country. These riots and other violence in response to increased fiscal pressure were recent memories.³¹ There was no desire to repeat this recent history. Taxation was thus ruled out as the source of funding for the expenditures under consideration.

Issuing new money would have been inflationary and, further, was incompatible with the gold-standard monetary system which had been adopted in 1854. With two of the possible avenues thus closed, the government turned to public debt as the only way to finance its program of public works. Beginning in the 1850s, Portugal saw a 30-year period of intense borrowing – foreign and domestic – to foot the bill.³²

Here again, as in the free trade/protectionism issue, pragmatism tipped the scales in favor of high expenditure, to the detriment of balanced-budget Classical idealism. Getting the job done was simply more urgent than toeing a theoretical line. It was hoped that a balanced budget would be achieved in the long run. The budget would benefit of the greater

tax revenues which were a result of the accelerated economic activity, which stemmed from the advantages afforded by the public works, themselves.

So, what is necessary is to utilize taxes, to spare all the savings consistent with public service, and to turn to borrowing for some time – to borrowing, from which we must disentangle more and more, until we put the country's finances into an order that will not demand their regular or periodic help.³³

To sum up, the developmental economic policy demanded another departure from Classical doctrine regarding public finance. A balanced budget was not manageable in light of the massive spending which was necessary. Budget balancing was thus set aside as an item of long-term concern.

Unfortunately, the policy did not work well, at least from a strictly financial point of view. While there was some economic growth in Portugal between the 1860s and 1880s,³⁴ the fear of social turmoil in response to tax increases was so great, that growth did not generate enough tax revenues to service the incurred debt. Default and partial bankruptcy resulted in 1892. The so-called “Regeneration” of the liberal blueprint that had been pursued since the 1850s now seemed an utter failure, and was compromised.

6. Development Policy by Means of Human Capital Formation (Education)

The financial failure of the ‘Regeneration’ blueprint called for new policies to stimulate economic growth. Yet again, the ideas embraced did not adhere very strictly to the standards of pure Classical theory. Protectionism, colonial expansion and human capital formation were the main thrusts of the current round of endeavors.

The principles were not wholly new. Section 2 discussed earlier protectionist policies. Colonial expansion was a traditional feature of the nation's culture. The Portuguese people looked back upon a golden era of glory which had encompassed the globe; a time when the country's colonial holdings had made Portugal a pillar of prosperity. But this had all but vanished with the independence of Brazil. Throughout most of the Nineteenth-century, what was left of the benefits of colonialism had amounted to no more than a decadent international performance.³⁵ Now, colonization came back anew, partly as a consequence of the rush of European imperialism into Africa in the latter part of the century.³⁶

Education, on the other hand, had never waned throughout the century as a chief concern of the Portuguese intellectual community. Successive governments, however, had steadfastly failed to marshal the funds necessary to address the wants of education. Most of the authors quoted above devoted much of their attention to the needs of education. In the 1820s, for example, Acúrsio das Neves suggested the creation of a public primary school in each and every rural parish of the country:

In the large and medium-sized towns, it would be desirable to establish schools [...]. In all rural parishes, it would be well to establish teachers for reading and religion.³⁷

In spite of the concern, progress in these matters was slow. While a Ministry of Public Works was created in 1852, two attempts to create a Ministry of Public Instruction – one in 1870 and another in 1890 – met with failure. Nevertheless, in time, primary schools did come to be implanted in every municipality and most rural parishes, high schools were established in every administrative district, technical schools were set up in most towns, and

schools of the university level (although not formal universities) were founded in Lisbon and Oporto (the only university proper in Portugal remained that in Coimbra). Regardless of these changes, Portugal was still a largely illiterate country, even into the latter part of the century.³⁸

7. Consequences into the twentieth Century

As we have seen, when placed into practice, hard politics held little respect for the rigors of Classical liberal doctrine, and clung to its specifics only if or when it was expedient to do so. The state of complacency which prevailed in the halls of power served to facilitate – even nurture – the discussion, spread and popularity of alternative systems of political economy in Portugal, in some circles. As the century drew to a close, an eclectic vision emerged from a variety of theories. This vision – a “plural canon”³⁹ – was, in reality, something of a reflection of the *realpolitik* already in place. German universities, which commanded a great deal of respect, were pushing the historical paradigm at this time, and their message was very well received. Portuguese economists, embraced the message of adapting theoretical dogma to local needs and nationalistic interests as something which they had been doing all the while. Along with the principles of the historical and nationalist schools, into the stewpot of theory went elements of the new socialist dialogues, too. These ingredients were stirred well and allowed to blend – then served up by such leading economists as Oliveira Martins, Frederico Laranjo and Marnoco e Sousa, who were among the top figures on the Portuguese political and academic scene.⁴⁰

The crystalization of the social sciences into more specialized fields and disciplines provided the opportunity for sociological analysis, as well as philosophical speculation. It became obvious that progress for all of Humankind was equated with material progress. To move toward those goals intellectuals proposed a broader and more effective collaboration between civil society and the state, and between market working and government intervention.

The failure of the development blueprints of the Nineteenth-century proved to be an indelible stain, well into the next century. Despite the fact that the new ideas explored in the last decade of the Nineteenth-century and early Twentieth-century did not perform clearly better⁴¹ than the old Nineteenth-century blueprints, no new path was explored – no fresh start was attempted. The intellectual landscape in Portugal remained under the shadow of the same forces which had prevailed in the preceding century, even into the inter-war period. The Neoclassical school and its mathematical reasoning had no significant impact in Portuguese economic thought until the Second World War. The bibliographies of Portuguese pre-war textbooks included Neoclassical authors, but the texts which mentioned them glossed over their message and the exercises did not address the Neoclassical approach. The only exception to this was the presentation of the Neoclassical package in a treatise of 1911 by Horta Osório,⁴² a faithful disciple of Vilfredo Pareto.⁴³ But even Osório’s efforts failed to yield fruit, and he did not obtain the university chair which he had sought in connection with the work’s publication.

The only explanation advanced for the failure of Neoclassicism to take hold in Portugal is that of Almodôvar and Cardoso,⁴⁴ who suggest that the school’s elaborate mathematical character simply did not appeal to economists of the day. We argue that a further cause for rejection can be found in the liberal perspective of Neoclassical doctrine, its absence of an empirical feature, and the limited utility which it offered to an underdeveloped and hard-pressed social system. Comparisons at the international level and considerations for

macroeconomic development persisted in Portugal as the overriding social worries, while administrative and political structures imposed their powerful message to the community level. The neglect of Neoclassical reasoning which lasted in Portugal for so many years illustrates just how selective and social the spread of theoretical systems can be.

Teachers of Political Economy were few and far between in Portugal, and where they could be found, they were often ill-prepared or equipped. Political Economy as a course of study at the university, leading to a degree, did not exist. The economic policy of the democratic republican regime and authoritarian Salazarism, were all too similar to the policies which had been attempted in the years running up to the First World War. Except a few noteworthy individuals, Lisbon University had only obscure and forgotten professors.⁴⁵ Subsequent generations of scholars “have very properly consigned them to oblivion”.⁴⁶ The occupants of some academic chairs may be referred to as “inactive timeservers”.

As Professor of Political Economy in the University of Coimbra Faculty of Law, Salazar praised Classical teaching and liberal findings, namely the international division of labor and free trade. As politician, from 1928 on, he managed to maintain a long-standing balanced budget while avoiding the crowding-out effects of public debt. But pragmatic policies and empirical assertions once again returned to the fore during his tenure of leadership. This time they emerged in a variety of forms including wheat protectionism and, beginning in 1931, legislation which stood in the way of free access to industrial activities, thus violating individual economic freedom. Most of these measures were taken in response to the challenges posed by the Great Depression, but endured beyond their period of usefulness, ossifying into narrow-minded and unimaginative measures.

8. Final Remarks

Portugal would have to wait until after the Second World War for a broader process of modernization to bring it abreast of the Western World. It was in the post-war years that the teaching of full-blown Neoclassical theory finally took shape⁴⁷ – the effort of teams of young economists, most of whom are still alive – gaining widespread recognition and professional status.

Salazar had a firm grasp of these tumultuous issues, as well as his own convictions, as professor in the University of Coimbra. His personal power in the country was enough to insure that Portugal would stay the course he laid out until the 1960s – when the forces of economic integration into Europe brought new objectives and new ideas about the means toward their achievement.

The process of modernization of economic thought came late in the Salazar regime. Concerning economic growth, modernization was entirely spontaneous, or at least, was not sponsored through public investment. It came about, rather, through sweeping internationalization and Portugal’s economic integration in Europe – a large-scale and multi-country undertaking of institutionalization, beginning with Portugal’s integration in the European Free Trade Association.

Curiously, this economic success brought no benefit to Salazar’s regime. When political pressures of the European countries required the decolonization of Portugal’s African possessions and democratization, it sounded the death knell of the political rule, forcing Salazar’s successor, Marcelo Caetano, to take refuge in Brazil.

The protectionism of the Nineteenth-century, the public investment, the regulation of foreign capital, and the state’s interventionism, were consequences of Portugal’s urgent desire to modernize in the face of successful and threatening industrialization elsewhere in Europe. These measures afforded only a moderate economic path forward, despite the efforts and

wishes of those generations. It was the long-running balanced budget of classicism, followed by openness to European free trade, coming late in the Salazar years, that most influentially prepared the way for Portugal to finally catch up with those countries that industrialized in the Nineteenth-century.

NOTES

I thank the Portuguese *Fundação de Ciência e Tecnologia* for funding my research through the PRAXIS XXI Program. A preliminary version of this paper was presented at the meeting of the European Society for the History of Economic Thought, held in Rotterdam. I thank Professors Nuno Valério, José Luís Cardoso, Carlos Bastien and António Almodôvar for their comments. I thank Dr. John Huffstot and Brown University 'Writing Center' for correcting my English. Any error or omission is my own fault.

¹ - Lisboa, José Bento da Silva - *Compêndio da obra da Riqueza das Nações de Adam Smith, traduzida do original inglês por Bento da Silva Lisboa* - Impressão Régia, Rio de Janeiro, 1811-1812. See also Lisboa, José da Silva - *Princípios de economia política, para servir de introdução à tentativa económica do autor dos princípios de direito mercantil* - Impressão Régia, Lisboa, 1804.

² General address to the European Congress of History of Economic Thought, Valencia, 1999.

³ Some of the main memoirs of the Academy were republished in *Memórias Económicas da Academia Real das Ciências de Lisboa, 1789-1815* – Banco de Portugal, Colecção de Obras Clássicas do Pensamento Económico Português, Lisboa, 1990.

Other relevant studies are

- Cardoso, José Luís - *O pensamento económico em Portugal nos finais do século XVIII 1780-1808* - Estampa, Lisboa, 1989.

- Macedo, Jorge Borges de - "Política económica em Portugal no século XIX. Teoria e prática" - in Cardoso, José Luís; Almodovar, António (editors) - *Actas do encontro Ibérico sobre História do Pensamento Económico* - CISEP, Lisboa, 1992.

⁴ Lisboa, 1811-1812. He had already published *Princípios de economia política, para servir de introdução à tentativa económica do autor dos princípios de direito mercantil* in 1804.

⁵ As was demonstrated in Almodovar, António – *A institucionalização da Economia Política em Portugal* – Edições Afrontamento, Porto, 1995.

⁶ Almodovar, António; Brandão, Maria de Fátima - "A conquista da Ibéria para a economia política: convergências e contrastes" - working paper, Faculdade de Economia do Porto, 1989 (mimeographed), p. 9.

⁷ Almodovar, António - "O pensamento económico clássico em Portugal" - in Cardoso, 1988- p. 130.

⁸ See Bastien, Carlos - "História do pensamento económico em Portugal - Teorias e ideologias nos séculos XIX e XX" - paper presented to the Instituto Superior de Economia e Gestão da Universidade Técnica de Lisboa for academic examinations, 1992 (mimeographed). See also Cardoso, José Luís - "A influência de Adam Smith no pensamento económico português (1776-1811/12" - in - Cardoso, José Luís (editor) - *Contribuições para a história do pensamento económico em Portugal* - Publicações Dom Quixote, Lisboa, 1988.

⁹ See the textbook to be used Almeida, Manuel de - *Compêndio de economia política* - 1st edition, 1821. Reprinted in Brandão, Maria de Fátima (editor) - *Compêndio de economia política de Manuel de Almeida* - Banco de Portugal, Lisboa, 1994.

¹⁰ The main textbooks were:

- Pinto, Agostinho Albano da Silveira - *Prelecções preliminares ao curso de economia política da escola da Associação Comercial do Porto proferidas nos meses de Junho e Julho pelo professor da mesma escola* - Tipografia Comercial portuense, Porto, 1837.

- Marreca, Oliveira - *Noções elementares de economia política - opúsculo que há-de servir de compêndio às pessoas que frequentarem o curso de economia política, fundado pela Associação Mercantil de Lisboa, e dirigido pelo autor* - 1st edition, 1838. Reprinted in Barreira, Cecília (editor) - *Obra económica de Oliveira Marreca* - I.P.E.D., Lisboa, 1983 (2 volumes).

- Sampaio, Adrião Forjaz de - *Novos elementos de economia política e estadística* - Imprensa da Universidade de Coimbra, Coimbra, 1858-1859 (2 volumes) - 2nd edition, 1874. For a study on this author see Pedrosa, Alcino José Cardoso - *O pensamento económico em Portugal no século XIX: Adrião Pereira Forjaz de Sampaio* - Masters thesis presented to the Faculdade de Ciências Sociais e Humanas, Universidade Nova de Lisboa, 1988 (mimeographed).

¹¹ Brandão, Maria de Fátima - "A percepção do mercado no pensamento económico português do início de oitocentos" - in Cardoso, Almodovar, 1992.

¹² *Compêndio de economia política*, 1821.

¹³ Brandão, 1994, p. 39.

¹⁴ Neves, José Acúrcio das - *Memória sobre os meios de melhorar a indústria portuguesa, considerada nos seus diferentes ramos* - 1st edition, 1820. Reprinted in Custódio, Jorge (editor) - *Memória sobre os meios de melhorar a indústria portuguesa, considerada nos seus diferentes ramos* - Querco, Lisboa, 1983, p. 183.

¹⁵ *Custódio*, 1983, pp. 82-83.

¹⁶ Barreira, 1983, Vol. I, p. 148.

¹⁷ Barreira, 1983, Vol. II, p. 41.

¹⁸ Laranjo, José Frederico - *Princípios de economia política* - Lisboa, 1891. New edition: Banco de Portugal, colecção Obras Clássicas do Pensamento Económico Português – org. and introduction by Carlos Bastien Raposo, 1997, p. 420.

¹⁹ On the sometimes perverse effects of protectionism and its possible feedback on Portuguese

economic problems see - Fontoura, Paula; Valério, Nuno - "Protection, foreign trade and economic growth in Portugal 1840s-1980s: a long-term view" - in Lindert, Peter H.; Nye, John V.; Chevet, Jean-Michel (editors) - *Political economy of protectionism and commerce, eighteenth-twentieth centuries* - Università Bocconi, Milano, 1994.

On the difficulties of lowering tariffs because of the importance of its revenue for state budgets, see Justino, David - "Fontismo: o impossível livre-câmbio" - *Revista de História Económica e Social*, no. 23, 1988.

²⁰ Mata, Maria Eugénia - "As três fases do fontismo: projectos e realizações" - in *Estudos e ensaios em homenagem a Vitorino Magalhães Godinho* - Sá da Costa Editora, Lisboa, 1988.

²¹ Barreira, 1983, Vol. I, p. 139

²² Mata, Maria Eugénia - "A Companhia das Obras Públicas de Portugal" – *Estudos de Economia*, 1, XIX, 1999.

²³ Fontes Pereira de Melo, Parliamentary address, April 2, 1856.

²⁴ Fontes Pereira de Melo, Parliamentary address, December 6, 1865.

²⁵ See Mónica, Maria Filomena - *Fontes Pereira de Melo* - Assembleia da República, Lisbon, 1999.

And - Homem, Amadeu José de Carvalho - "Ideologia e indústria - a exposição distrital de Coimbra em 1884" - *Revista de História das Ideias*, no. 6, 1984.

²⁶ Mónica, Maria Filomena - *O tabaco e o poder: Cem anos da Companhia dos Tabacos de Portugal* - Quetzal, Lisbon, 1992.

²⁷ For a thorough study of these subsidies until the 1890s, see Vieira, Antonio Lopes – "The role of Britain

and France in the finance of Portuguese railways 1845-1890. A comparative study in speculation, corruption

and inefficiency" – Ph.D. dissertation, University of Leicester, 1983.

²⁸ Fontes Pereira de Melo, Parliamentary address, April 4, 1856.

²⁹ Another bank – the National Overseas Bank – had been granted the issuing monopoly for the Colonial Empire in 1864.

³⁰ Custódio, 1983, p. 169.

³¹ Mata, Maria Eugénia - "Order and progress or order versus progress? The Portuguese social dilemma of the mid XIXth century" - *Estudos de Economia*, vol. XIII no. 2, 1993.

- Mata, Maria Eugénia - *As finanças públicas portuguesas da Regeneração à primeira guerra mundial* - Banco de Portugal, Lisbon, 1993.

³² Mata, Eugénia; Valério, Nuno - "Foreign public debt and economic growth in Portugal 1830-1985" - *Estudos de Economia*, vol. XI, no. 4, 1991.

³³ Fontes Pereira de Melo, Parliamentary address, March 12, 1867.

³⁴ Nunes, Anabela; Mata, Eugénia; Valério, Nuno - "Portuguese economic growth 1833-1985" - *The Journal of European Economic History*, vol. XVIII, no. 2, 1989.

³⁵ See, for instance, Martins, Oliveira - *O Brasil e as colónias portuguesas* - 1st edition, 1880. Reprint: Guimarães & Cª, Lisboa, 1978.

³⁶ See Smith, Gervase Clarence - *The third Portuguese empire – a study in economic imperialism* – Manchester University Press, Manchester, 1985.

³⁷ Custódio, 1983, p. 85.

³⁸ - Reis, Jaime - *O atraso económico português 1850-1930* - INCM, Lisboa, 1993.

³⁹ Almodovar, António ; José Luís Cardoso – *A history of economic thought* – Routledge, London, 1998, p. 90.

⁴⁰ See - Bastien, Carlos - "Marxism, labour movement and culture in Portugal" - *Estudos de Economia*, vol. XIII, no. 2, 1993. And Cardoso, Almodovar, 1992.

⁴¹ Measuring Portuguese economic growth prior to World War II has been the subject of many controversies. See, for instance, Nunes et alii (1989), Reis and Lains (1990) and Nunes et alii (1990). But no one contests that retardation as against the leading European and world powers were the trend until the mid-twentieth century.

⁴² Osório, António Horta - *A matemática na economia pura* - Lisboa, 1911. French translation: *Théorie mathématique de l'échange* - 1913.

⁴³ See Nunes, Manuel Jacinto - *Subsídios para a história do equilíbrio geral* - Academia das Ciências, Lisboa, 1988. And Schumpeter, Joseph - *History of economic analysis* - Oxford University Press, Oxford, 1954, p. 957.

⁴⁴ Almodôvar and Cardoso, 1998.

⁴⁵ Bastien, Carlos - "Para a história das ideias económicas no Portugal contemporâneo: a crise dos anos 1945-1954" – Ph.D. dissertation - Instituto Superior de Economia e Gestão da Universidade Técnica de Lisboa, 1989 (mimeographed).

⁴⁶ See the testimony of Professor António Manuel Pinto Barbosa on his teachers to his biographers Neves, João César das; Silva, Francisco Azevedo e – *António Manuel Pinto Barbosa, uma biografia económica*, Verbo, Lisbon, 1999.

⁴⁷ At the same time that the Keynesian paradigm began to be known, and a spurt of Marxist thinking also occurred. On this issue, see Bastien, 1989.